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Message Text

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C O N F I D E N T I A L STATE 216590

EXDIS

E.O. 11652: GDS

TAGS: EAID, GW, EG

SLBJECT: ASSISTANCE TO EGYPT - GERMANY

1. HERBERT SAHLMANN, DIRECTOR FOR MIDDLE EASTERN COUNTRIES, MIN ECON COOP, CALLED AT NEA/EGY AUGUST 31. HE APPEARED TO BE ON FACT-FINDING MISSION FOR INFO RE AID TO EGYPT FROM U.S. AND WORLD BANK AND ECONOMIC ASSESSMENT BY IMF.

2. DURING VISIT, SAHLMANN CALLED ON NEA ACTING ASST SEC DUBS WHO EMPHASIZED USG CONCERN ABOUT EGYPT'S ECONOMIC PROBLEMS WITH ATTENDANT POLITICAL IMPLICATIONS AND URGED FRG TO FIND WAY TO HELP EGYPT WITH IMMEDIATE BALANCE OF PAYMENTS PROBLEM. HE SAID HE HOPED FRG WOULD CONSIDER
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MAKING 100 MILLION DOLLAR CONCESSIONAL LOAN IN ORDER TO

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HELP EGYPT THIS YEAR.

3. SAHLMANN RESPONDED WITH LIST OF ASSISTANCE EFFORTS BY FRG FOR EGYPT WHICH INCLUDED DM 130 MILLION STANDBY CREDIT ARRANGEMENT, 5 YEAR TERMS WITH 5 YEAR GRACE PERIOD AT 4.25 PERCENT. THIS AMOUNT HAS BEEN DISBURSED TO GOE. SAHLMANN INDICATED FURTHER ASSISTANCE THIS YEAR UNLIKELY FOR BUDGETARY REASONS. IT WAS SUGGESTED HE LOOK INTO POSSIBILITY OF PROVIDING EXPORT CREDITS FOR EGYPT ON 5 YEAR TERMS.

4. SAHLMANN SAYS FRG GIVING MORE ATTENTION TO PROJECT TYPE ASSISTANCE. IT HAS BACKED AWAY FROM DIRECT FOOD AID (READ: WHEAT) SINCE GERMANS HAVE DISCOVERED, ACCORDING TO GERMAN TECHNICIAN WHO WORKED IN DELTA, THAT EGYPTIAN FARMERS ARE FEEDING BREAD TO ANIMALS BECAUSE SUBSIDIES MAKE BREAD CHEAPER THAN OTHER FORMS OF ANIMAL FEED. GERMAN COMMODITY ASSISTANCE BEING DIRECTED TOWARD ITEMS TO INCREASE AGRICULTURAL PRODUCTION, E.G., FERTILIZERS.

5. ACCORDING TO SAHLMANN, FRG PLANNING ABOUT SAME LEVELS OF ASSISTANCE FOR NEXT YEAR. GERMANS LOOKING FOR WAYS TO GIVE ASSISTANCE WHICH WILL ENCOURAGE EGYPTIAN ECONOMIC REFORMS.

6. FYI BONN. IN MAKING APPOINTMENT FOR SAHLMANN, GERMAN EMBASSY OFFICIAL INDICATED THAT FONMIN IS TRYING TO INCREASE AID TO EGYPT. EMBASSY ASKED US TO EMPHASIZE POLITICAL NEEDS FOR ASSISTING EGYPT. END FYI.

7. EMBASSY BONN MAY WISH TO FOLLOW UP WITH SAHLMANN ON SUGGESTION FRG PROVIDE EXPORT CREDITS TO EGYPT (PARA 3 ABOVE). HE IS RETURNING TO GERMANY AT END OF CURRENT WEEK (TELEPHONE 535-755).

ROBINSON

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